



Spaulding Township  
Saginaw County, Michigan

Financial Statements

For the Year Ended March 31, 2008

# SPAULDING TOWNSHIP

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## **INDEPENDENT AUDITORS' REPORT**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

September 16, 2008

To the Township Board  
Spaulding Township  
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Spaulding Township***, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ***Spaulding Township's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of ***Spaulding Township***, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General Fund, Police Fund, Cass River Dike Fund, and Flint River Dike Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2008, on our consideration of ***Spaulding Township's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-8, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Spaulding Township's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of *Spaulding Township, Michigan*, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported at *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Township include general government, public safety, public works and parks and recreation. The business-type activities of the Township include sewer and water operations.

The government-wide financial statements can be found on pages 9-11 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Police, Cass River dike, and Flint River dike funds each of which are considered to be major funds. Data from the four other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-19 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township used enterprise funds to account for its water district 1, water district 2 and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water district 1, water district 2 and sewer operations, all of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-37 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the accompanying notes. Combining fund statements and schedules can be found of pages 38-46 of this report.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown on the following chart, the Township's assets exceeded liabilities by \$2,906,752 at the end of the fiscal year.

The net assets are separated into two major components; invested in capital assets (e.g., buildings, equipment and vehicles), which amounted to \$1,280,937 or 41% of net assets and unrestricted net assets of \$1,870,163 or 59% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

#### Spaulding Township's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 868,9441	\$ 769,649	\$1,143,603	\$ 1,170,349	\$2,012,544	\$ 1,939,998
Capital Assets	529,561	546,851	1,613,229	1,545,298	2,142,790	2,092,149
Total assets	1,398,502	1,316,500	2,756,832	2,715,647	4,155,334	4,032,147
Long-term liabilities	170,451	154,807	640,761	609,895	811,212	764,702
Other liabilities	85,625	66,761	51,302	49,584	136,927	116,345
Total liabilities	256,076	221,568	692,063	659,479	948,139	881,047
Net Assets						
Invested in capital assets, net of related debt	529,561	376,400	941,739	904,537	1,471,300	1,280,937
Unrestricted	612,865	718,532	1,123,030	1,151,631	1,735,895	1,870,163
Total net assets	\$1,142,426	\$1,094,932	\$2,064,769	\$2,056,168	\$3,207,195	\$3,151,100

### Spaulding Township's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenue:						
Charges for services	\$ 105,012	\$ 103,470	\$ 395,183	\$ 370,498	\$ 500,195	\$ 473,968
Operating grants and contributions	177,316	178,262	-	-	177,316	178,262
Capital grants and contributions	4,016	27,500	-	-	4,016	27,500
General revenues:						
Property taxes	586,771	269,787	5,362	6,143	592,133	275,930
Unrestricted investment earnings	17,672	16,775	24,218	16,214	41,890	32,989
Miscellaneous general revenues	15,365	28,621	3,051	5,032	18,416	33,653
Total revenues	906,152	624,415	427,814	397,887	1,333,966	1,022,302
Expenses:						
Legislative	64,370	57,150	-	-	64,370	57,150
General government	201,326	197,906	-	-	201,326	197,906
Public safety	144,223	154,000	-	-	144,223	154,000
Public works	378,890	169,557	-	-	378,890	169,557
Culture and recreation	29,451	79,042	-	-	29,451	79,042
Interest on debt	-	-	-	-	-	-
Water District 1	-	-	121,596	107,342	121,596	107,342
Water District 2	-	-	128,755	166,898	128,755	166,898
Sewer	-	-	144,832	146,502	144,832	146,502
Total expenses	818,260	657,655	395,183	420,742	1,213,443	1,078,397

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2008	2007	2008	2007	2008
Decrease in net assets	\$ 87,892	\$ (33,240)	\$ 14,841	\$ (22,855)	\$ 102,733	\$ (56,095)
Net assets, beginning of year, restated	1,054,534	1,128,172	2,049,928	2,079,023	3,104,462	3,207,195
Net assets, end of year	<u>\$1,142,426</u>	<u>\$1,094,932</u>	<u>\$2,064,769</u>	<u>\$ 2,056,168</u>	<u>\$3,207,195</u>	<u>\$3,151,100</u>

The Township had a decrease in public works expenditures due to the Flint River Dike Project in the prior year.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$436,319, all of which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, total fund balance of the general fund was \$269,723. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 48% of total general fund expenditures and transfers out.

The fund balance of the Township's general fund decreased \$36,088 in the current year. This decrease is primarily attributed to the increase in spending for general government and recreation and culture expenditures.

***Proprietary funds.*** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

## General Fund Budgetary Highlights

There were no differences between the original and final amended budgets for expenditures.

Budget to actual comparisons for the Township's general fund were generally favorable.

## Capital Asset and Debt Administration

**Capital Assets.** The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounted to \$2,142,790 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles.

	<b>Spaulding Township's Capital assets (net of depreciation)</b>		
	Governmental Activities	Business-type Activities	Total
Land	\$ 53,131	\$ 500	\$ 53,631
Buildings	327,002	15,162	342,164
Equipment	81,262	9,279	90,541
Vehicles	85,456	-	85,456
Mains	-	1,520,357	1,520,357
Total	\$ 546,851	\$ 1,545,298	\$ 2,092,149

Additional information on the Township's capital assets can be found in note III C on pages 33-34 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had total bonded debt outstanding of \$811,212. Additional information on the Township's long-term debt can be found in note III E on pages 36-38 of this report.

## Request for information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Township Treasurer, 5025 East Road, Saginaw, Michigan 48601.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**SPAULDING TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 400,453	\$ 500,879	\$ 901,332
Investments	-	100,000	100,000
Receivables	362,725	549,810	912,535
Prepaid items and other assets	-	17,813	17,813
Restricted cash	6,471	1,847	8,318
Capital assets, net:			
Assets not being depreciated	53,131	500	53,631
Assets being depreciated	493,720	1,544,798	2,038,518
 Total assets	 1,316,500	 2,715,647	 4,032,147
<b>Liabilities</b>			
Accounts payable	31,247	13,582	44,829
Accrued liabilities	19,870	5,136	25,006
Noncurrent liabilities:			
Due within one year	15,644	30,866	46,510
Due in more than one year	154,807	609,895	764,702
 Total liabilities	 221,568	 659,479	 881,047
<b>Net Assets</b>			
Invested in capital assets, net of related debt	376,400	904,537	1,280,937
Unrestricted	718,532	1,151,631	1,870,163
 Total net assets	 \$ 1,094,932	 \$ 2,056,168	 \$ 3,151,100

The accompanying notes are an integral part of these financial statements.



**SPAULDING TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2008**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 57,150	\$ -	\$ -	\$ -	\$ (57,150)
General government	197,906	91,695	178,262	27,500	99,551
Public safety	154,000	11,775	-	-	(142,225)
Public works	169,557	-	-	-	(169,557)
Recreation and culture	79,042	-	-	-	(79,042)
Total governmental activities	657,655	103,470	178,262	27,500	(348,423)
Business-type activities:					
Water District 1	107,342	119,332	-	-	11,990
Water District 2	166,898	123,847	-	-	(43,051)
Sewer	146,502	127,319	-	-	(19,183)
Total business-type activities	420,742	370,498	-	-	(50,244)
Total primary government	\$ 1,078,397	\$ 473,968	\$ 178,262	\$ 27,500	\$ (398,667)

continued...

**SPAULDING TOWNSHIP**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED MARCH 31, 2008**

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (348,423)	\$ (50,244)	\$ (398,667)
General revenues:			
Property taxes / Special assessments	269,787	6,143	275,930
Unrestricted investment earnings	16,775	16,214	32,989
Miscellaneous general revenues	28,621	5,032	33,653
Total general revenues	315,183	27,389	342,572
Change in net assets	(33,240)	(22,855)	(56,095)
Net assets, beginning of year, as restated	1,128,172	2,079,023	3,207,195
Net assets, end of year	\$ 1,094,932	\$ 2,056,168	\$ 3,151,100

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

**SPAULDING TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**MARCH 31, 2008**

	<b>General</b>	<b>Police</b>	<b>Cass River Dike</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 238,804	\$ 4,474	\$ 62,937
Taxes receivable - delinquent	4,119	4,238	-
Special assessments receivable - current	30,408	-	2,529
Special assessments receivable - long term	-	-	17,085
Accounts receivable - other	3,617	25	152
Due from State	26,812	-	-
Restricted assets - cash	6,471	-	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ 310,231	\$ 8,737	\$ 82,703
	<hr/>	<hr/>	<hr/>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 21,751	\$ -	\$ 1,502
Accrued liabilities	15,401	3,723	-
Deferred revenue	-	-	17,085
Customer advance deposits	3,356	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	40,508	3,723	18,587
	<hr/>	<hr/>	<hr/>
<b>Fund Equity</b>			
Fund balances:			
Unreserved - undesignated:			
General fund	269,723	-	
Special revenue funds	-	5,014	64,116
	<hr/>	<hr/>	<hr/>
Total fund equity	269,723	5,014	64,116
	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	\$ 310,231	\$ 8,737	\$ 82,703
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

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<b>Flint River Dike</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 24,014	\$ 70,224	\$ 400,453
-	4,218	12,575
3,298	-	36,235
265,128	-	282,213
66	1,030	4,890
-	-	26,812
-	-	6,471
<hr/>		
\$ 292,506	\$ 75,472	\$ 769,649
<hr/>		

\$ -	\$ 4,638	\$ 27,891
-	746	19,870
265,128	-	282,213
-	-	3,356
<hr/>		
265,128	5,384	333,330
<hr/>		

	-	269,723
27,378	70,088	166,596
<hr/>		
27,378	70,088	436,319
<hr/>		
\$ 292,506	\$ 75,472	\$ 769,649
<hr/>		

**SPAULDING TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**MARCH 31, 2008**

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Fund balances - total governmental funds	\$ 436,319
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: Capital assets	918,046
Subtract: Accumulated depreciation	(371,195)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Subtract: Notes payable	(170,451)
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: Deferred special assessments	<u>282,213</u>
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Net assets of governmental activities	<u><u>\$ 1,094,932</u></u>
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The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>General</b>	<b>Police</b>	<b>Cass River Dike</b>
<b>Revenues</b>			
Taxes	\$ 61,264	\$ 40,773	\$ 394
Special assessments	143,635	-	17,459
Licenses and permits	52,433	-	-
Intergovernmental revenue:			
State grants	179,025	-	-
Local grants	27,500	-	-
Charges for services	3,021	-	-
Rent	16,501	-	-
Refunds and reimbursements	4,842	-	-
Interest	10,273	196	2,353
Donations / Fundraisers	23,961	-	-
Other	4,660	10,055	-
	<hr/>	<hr/>	<hr/>
Total revenues	527,115	51,024	20,206
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Legislative	58,546	-	-
General government	233,846	-	-
Recreation and culture	72,467	-	-
Public safety	-	107,113	-
Public works	148,244	-	7,070
Debt service			
Principal	-	-	-
Interest expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	513,103	107,113	7,070
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	14,012	(56,089)	13,136
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Transfer in	-	50,100	-
Transfer (out)	(50,100)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(50,100)	50,100	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(36,088)	(5,989)	13,136
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year, as restated	305,811	11,003	50,980
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 269,723	\$ 5,014	\$ 64,116
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

<b>Flint River Dike</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ 40,579	\$ 143,010
33,071	-	194,165
-	-	52,433
-	-	179,025
-	-	27,500
-	-	3,021
-	-	16,501
-	1,000	5,842
421	3,532	16,775
-	-	23,961
-	720	15,435
33,492	45,831	677,668
-	-	58,546
-	-	233,846
-	-	72,467
-	34,812	141,925
6,224	-	161,538
17,049	-	17,049
6,623	-	6,623
29,896	34,812	691,994
3,596	11,019	(14,326)
-	-	50,100
-	-	(50,100)
-	-	-
3,596	11,019	(14,326)
23,782	59,069	450,645
\$ 27,378	\$ 70,088	\$ 436,319



**SPAULDING TOWNSHIP**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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Net change in fund balances - total governmental funds \$ (14,326)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	45,726
Subtract: depreciation expense	(28,436)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: change in special assessments	(53,253)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	<u>17,049</u>
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Change in net assets of governmental activities	<u><u>\$ (33,240)</u></u>
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The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Taxes	\$ 88,000	\$ 88,000	\$ 61,264	\$ (26,736)
Special assessments	148,500	148,500	143,635	(4,865)
Licenses and permits	50,410	50,410	52,433	2,023
Intergovernmental revenue:				
State grants	177,750	177,750	179,025	1,275
Local grants	10,000	10,000	27,500	17,500
Charges for services	3,375	3,375	3,021	(354)
Fines and forfeits	100	100	-	(100)
Rent	20,000	20,000	16,501	(3,499)
Refunds and reimbursements	3,000	3,000	4,842	1,842
Interest	8,200	8,200	10,273	2,073
Donations / Fundraisers	-	-	23,961	23,961
Other	10,000	10,000	4,660	(5,340)
<b>Total revenues</b>	<b>519,335</b>	<b>519,335</b>	<b>527,115</b>	<b>7,780</b>
<b>Expenditures</b>				
Legislative	64,475	64,475	58,546	(5,929)
General government	215,520	215,520	233,846	18,326
Recreation and culture	32,250	32,250	72,467	40,217
Public works	159,000	159,000	148,244	(10,756)
<b>Total expenditures</b>	<b>471,245</b>	<b>471,245</b>	<b>513,103</b>	<b>41,858</b>
Revenues over (under) expenditures	48,090	48,090	14,012	(34,078)
<b>Other financing sources (uses)</b>				
Transfer (out)	(51,055)	(51,055)	(50,100)	(955)
Net change in fund balance	(2,965)	(2,965)	(36,088)	(33,123)
Fund balance, beginning of year, as restated	305,811	305,811	305,811	-
Fund balance, end of year	<u>\$ 302,846</u>	<u>\$ 302,846</u>	<u>\$ 269,723</u>	<u>\$ (33,123)</u>

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**POLICE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Taxes	\$ 38,000	\$ 38,000	\$ 40,773	\$ 2,773
Interest	300	300	196	(104)
Other	10,200	10,200	10,055	(145)
Total revenues	48,500	48,500	51,024	2,524
<b>Expenditures</b>				
Salaries and wages	75,500	75,500	72,966	(2,534)
Fees and per diem	900	900	975	75
Fringe benefits	13,000	13,000	13,038	38
Operating supplies	300	300	112	(188)
Uniforms	800	800	887	87
Memberships and dues	125	125	100	(25)
Contractual services	1,980	1,980	1,351	(629)
Gas and oil	6,000	6,000	6,898	898
Repairs and maintenance	2,600	2,600	3,451	851
Education and training	750	750	755	5
Medical	5,500	5,500	5,178	(322)
Miscellaneous	100	100	29	(71)
Capital outlay	1,500	1,500	1,373	(127)
Total expenditures	109,055	109,055	107,113	(1,942)
Revenues over (under) expenditures	(60,555)	(60,555)	(56,089)	4,466
<b>Other financing sources (uses)</b>				
Transfer in	51,055	51,055	50,100	(955)
Net change in fund balance	(9,500)	(9,500)	(5,989)	3,511
Fund balance, beginning of year	11,003	11,003	11,003	-
Fund balance, end of year	\$ 1,503	\$ 1,503	\$ 5,014	\$ 3,511

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**CASS RIVER DIKE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 394	\$ 394
Special Assessments	18,000	18,000	17,459	(541)
Interest	3,000	3,000	2,353	(647)
Total Revenues	21,000	21,000	20,206	(794)
<b>Expenditures</b>				
Fees and per diem	4,000	4,000	3,494	(506)
Contractual services	14,000	14,000	3,576	(10,424)
Total Expenditures	18,000	18,000	7,070	(10,930)
Revenues over (under) expenditures	3,000	3,000	13,136	10,136
Fund balance, beginning of year	50,980	50,980	50,980	-
Fund balance, end of year	\$ 53,980	\$ 53,980	\$ 64,116	\$ 10,136

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FLINT RIVER DIKE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Special Assessments	\$ 33,500	\$ 33,500	\$ 33,071	\$ (429)
Interest	200	200	421	221
Total revenues	33,700	33,700	33,492	(208)
<b>Expenditures</b>				
Contractual services	10,030	10,030	6,000	(4,030)
Miscellaneous	-	-	224	224
Debt service:				
Principal	17,050	17,050	17,049	(1)
Interest	6,620	6,620	6,623	3
Total expenditures	33,700	33,700	29,896	(3,804)
Revenues over (under) expenditures	-	-	3,596	(4,012)
Fund balance, beginning of year	23,782	23,782	23,782	-
Fund balance, end of year	\$ 23,782	\$ 23,782	\$ 27,378	\$ (4,012)

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2008**

	Enterprise			
	Water District 1	Water District 2	Sewer	Total
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 117,950	\$ 170,916	\$ 212,013	\$ 500,879
Cash at the County	-	1,531	316	1,847
Investments	100,000	-	-	100,000
Special assessment receivable - delinquent	2,700	1,128	8,404	12,232
Accounts receivable - water billings	21,510	26,722	19,990	68,222
Accounts receivable - other	624	479	339	1,442
Prepaid items - bond payment	-	17,813	-	17,813
Total current assets	242,784	218,589	241,062	702,435
Long-term assets				
Special assessments receivable	-	75,246	392,668	467,914
Capital assets				
Land	-	500	-	500
Property, plant and equipment	249,634	1,268,072	1,096,282	2,613,988
Less accumulated depreciation	(193,453)	(672,485)	(203,252)	(1,069,190)
Total capital assets	56,181	596,087	893,030	1,545,298
Total assets	298,965	889,922	1,526,760	2,715,647
<b>Liabilities</b>				
Current liabilities				
Accounts payable	3,343	3,655	6,584	13,582
Accrued liabilities	2,581	2,105	450	5,136
Current portion of contracts payable	-	17,866	13,000	30,866
Total current liabilities	5,924	23,626	20,034	49,584
Long-term liabilities				
Contracts payable	-	122,895	487,000	609,895
Total liabilities	5,924	146,521	507,034	659,479
<b>Net assets</b>				
Investment in capital assets, net of related debt	56,181	455,326	393,030	904,537
Unrestricted	236,860	288,075	626,696	1,151,631
Total net assets	\$ 293,041	\$ 743,401	\$ 1,019,726	\$ 2,056,168

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Enterprise</b>			
	<b>Water District 1</b>	<b>Water District 2</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating revenues</b>				
Service charges	\$ 111,089	\$ 111,741	\$ 101,459	\$ 324,289
Penalties	2,734	1,838	1,910	6,482
Connection fees	2,000	-	23,950	25,950
Hydrant rentals	3,384	5,333	-	8,717
Miscellaneous	2,245	7,815	32	10,092
Total operating revenues	121,452	126,727	127,351	375,530
<b>Operating expenses</b>				
Salaries and wages	37,431	41,817	9,168	88,416
Office supplies	836	1,928	126	2,890
Operating supplies	6,816	10,241	36	17,093
Telephone and communication	215	248	54	517
Contractual services	2,559	3,961	1,197	7,717
Audit	1,710	2,138	428	4,276
Purchased water	38,073	50,792	81,719	170,584
Repairs and maintenance	13,170	4,489	659	18,318
Office rental	3,200	4,000	800	8,000
Miscellaneous	1,318	422	2,460	4,200
Depreciation	2,014	38,855	27,062	67,931
Total operating expenses	107,342	158,891	123,709	389,942
Operating income (loss)	14,110	(32,164)	3,642	(14,412)
<b>Non operating revenues (expenses)</b>				
Special assessments	-	5,792	351	6,143
Interest income	8,894	6,271	1,049	16,214
Interest expense	-	(8,007)	(22,793)	(30,800)
Total non operating revenues (expenses)	8,894	4,056	(21,393)	(8,443)
Change in net assets	23,004	(28,108)	(17,751)	(22,855)
Net assets, beginning of year, as restated	270,037	771,509	1,037,477	2,079,023
Net assets, end of year	\$ 293,041	\$ 743,401	\$ 1,019,726	\$ 2,056,168

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Enterprise</b>			
	<b>Water District 1</b>	<b>Water District 2</b>	<b>Sewer</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 122,330	\$ 137,658	\$ 146,320	\$ 406,308
Cash payments to employees	(37,270)	(42,132)	(8,718)	(88,120)
Cash payments to suppliers for goods and services	(71,978)	(75,678)	(87,723)	(235,379)
Net cash provided (used) by operating activities	13,082	19,848	49,879	82,809
<b>Cash flows from capital and related financing activities</b>				
Special assessments	-	5,792	351	6,143
Principal paid on bonds	-	(17,729)	(13,000)	(30,729)
Interest paid on bonds	-	(8,007)	(22,793)	(30,800)
Net cash provided (used) by capital and related financing activities	-	(19,944)	(35,442)	(55,386)
<b>Cash flows from investing activities</b>				
Purchase of investments	(55,000)	-	-	(55,000)
Sale of investments	-	85,000	-	85,000
Interest received	8,894	6,271	1,049	16,214
Net cash provided (used) by investing activities	(46,106)	91,271	1,049	46,214
Cash and cash equivalents, beginning of year	150,974	81,272	196,843	429,089
Cash and cash equivalents, end of year	\$ 117,950	\$ 172,447	\$ 212,329	\$ 502,726
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 14,110	\$ (32,164)	\$ 3,642	\$ (14,412)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	2,014	38,855	27,062	67,931
Changes in assets and liabilities which increase (decrease) cash:				
Receivables	878	10,931	18,969	30,778
Prepaid cost and other assets	-	367	-	367
Accounts payable	(4,081)	2,174	(244)	(2,151)
Accrued and other liabilities	161	(315)	450	296
<b>Net cash provided (used) by operating activities</b>	<b>\$ 13,082</b>	<b>\$ 19,848</b>	<b>\$ 49,879</b>	<b>\$ 82,809</b>

Non-cash investing, capital and financing transactions  
All dividends and interest income were immediately reinvested  
in the cash management funds.

The accompanying notes are an integral part of these financial statements.



**SPAULDING TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**MARCH 31, 2008**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 41
Due from others	<u>4,917</u>
Total assets	<u><u>\$ 4,958</u></u>
<b>Liabilities</b>	
Accrued liabilities	\$ 4,957
Due to other governmental units	<u>1</u>
Total liabilities	<u><u>\$ 4,958</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

# **SPAULDING TOWNSHIP, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Spaulding Township (the “Township”), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

#### **A. Reporting Entity**

The Township has determined that no entities should be consolidated into its financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the Township. Therefore, the reporting entity consists only of the primary government.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements; the agency funds use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement – based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *police fund* accounts for the collection of a separate tax millage that is used to fund the operations of the Township police department.

## SPAULDING TOWNSHIP, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS

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The *Cass River dike fund* accounts for the collection of special assessments that are used to maintain the dike on the Cass River boundary.

The *Flint River dike fund* accounts for the collection of special assessments that are used to construct and maintain the dike on the Flint River boundary.

The government reports the following major proprietary funds:

The *water district 1 fund* accounts for the activities of the government's water distribution and treatment system for district 1.

The *water district 2 fund* accounts for the activities of the government's water distribution and treatment system for district 2.

The *sewer fund* accounts for the activities of the government's sewage disposal system.

Additionally, the Township reports the following fund types:

*Agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are

# **SPAULDING TOWNSHIP, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water / sewer district 1 and water district 2 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of operation and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **1. Deposits and Investments**

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

Investments are stated at fair value.

#### **2. Receivables and Payables**

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. Inventory and Prepaids

Inventory of expendable supplies has not been recorded and any amount of any such inventory is not considered material. The cost value of such inventory was recorded as an expenditure at the time of purchase.

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### 4. Restricted Assets

Restricted assets are assets that have been set aside for future purposes in the General Fund.

### 5. Capital Assets

Capital assets, which include property, plant, equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Buildings	30-75 years
Equipment	5-20 years
Vehicles	4-20 years

# **SPAULDING TOWNSHIP, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **6. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **7. Fund Equity**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

## **II. Stewardship, Compliance and Accountability**

### **A. Budgets and Budgetary Accounting**

Comparisons to budget are presented for the General Fund and Special Revenue Funds. The operating budget is adopted by activity for the General Fund and by activity for the Special Revenue funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). Any revisions that alter the total expenditures of any fund must be approved by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board.



# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### B. Excess of Expenditures over Appropriations for Budgetary Funds

The Township had funds with expenditures exceeding budgeted appropriations at the activity level, which is the Township's legal level of budgetary control for the year ended March 31, 2008.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>GENERAL FUND</b>			
General Government			
Clerk	\$ 11,750	\$ 11,765	\$ (15)
Board of review	2,600	2,890	(290)
Township office	28,650	32,899	(4,249)
Buildings and grounds	48,195	64,617	(16,422)
Planning and zoning	28,075	35,732	(7,657)
Recreation and culture			
Parks	32,250	72,467	(40,217)

### III. Detailed Notes on All Funds

#### A. Deposits and Investments

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

#### Government-wide Financial Statement Captions:

Primary Government:

Cash and cash equivalents	\$ 901,332
Investments	100,000
Restricted assets - cash and cash equivalents	8,318

Fiduciary Fund Financial Statement Captions:

Cash and cash equivalents	<u>41</u>
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<b>Total</b>	<b><u><u>\$ 1,009,691</u></u></b>
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#### Notes to Financial Statements:

Deposits	\$ 1,009,591
Cash on hand	<u>100</u>

<b>Total</b>	<b><u><u>\$ 1,009,691</u></u></b>
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# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **Investment and deposit risk:**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

*Custodial credit risk deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$802,016 of the Township's bank balance of \$1,020,113 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township is authorized by statute to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ In banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

### B. Receivables

Receivables in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Taxes	\$ 12,575	\$ -
Accounts	4,890	69,664
Special assessments		
Due within one year	36,235	12,232
Due after one year	282,213	467,914
Intergovernmental	<u>26,812</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 362,725</u></b>	<b><u>\$ 549,810</u></b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Special assessments receivable (Cass and Flint River Dike Funds)	<u>\$ 282,213</u>

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### C. Capital Assets

Capital assets activity for the year ended March 31, 2008, was as follows:

#### Governmental activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 53,131	\$ -	\$ -	\$ 53,131
Capital assets being depreciated:				
Buildings	444,575	-	-	444,575
Equipment	93,139	45,726	-	138,865
Vehicles	<u>281,475</u>	<u>-</u>	<u>-</u>	<u>281,475</u>
Total capital assets being depreciated	<u>819,189</u>	<u>45,726</u>	<u>-</u>	<u>864,915</u>
Less accumulated depreciation				
Buildings	(110,611)	(6,962)	-	(117,573)
Equipment	(47,481)	(10,122)	-	(57,603)
Vehicles	<u>(184,667)</u>	<u>(11,352)</u>	<u>-</u>	<u>(196,019)</u>
Total accumulated depreciation	<u>(342,759)</u>	<u>(28,436)</u>	<u>-</u>	<u>(371,195)</u>
Total capital assets being depreciated, net	<u>476,430</u>	<u>17,290</u>	<u>-</u>	<u>493,720</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 529,561</u>	<u>\$ 17,290</u>	<u>\$ -</u>	<u>\$ 546,851</u>

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Business-type activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being not being depreciated:				
Land	\$ 500	\$ -	\$ -	\$ 500
Capital assets being depreciated:				
Buildings	18,375	\$ -	\$ -	18,375
Mains	2,554,248	-	-	2,554,248
Equipment	<u>41,365</u>	<u>-</u>	<u>-</u>	<u>41,365</u>
Total capital assets being depreciated	<u>2,613,988</u>	<u>-</u>	<u>-</u>	<u>2,613,988</u>
Less accumulated depreciation				
Buildings	(2,754)	(459)	-	(3,213)
Mains	(967,174)	(66,717)	-	(1,033,891)
Equipment	<u>(31,331)</u>	<u>(755)</u>	<u>-</u>	<u>(32,086)</u>
Total accumulated depreciation	<u>(1,001,259)</u>	<u>(67,931)</u>	<u>-</u>	<u>(1,069,190)</u>
Total capital assets being depreciated, net	<u>1,612,729</u>	<u>(67,931)</u>	<u>-</u>	<u>1,544,798</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 1,613,229</u>	<u>\$ (67,931)</u>	<u>\$ -</u>	<u>\$1,545,298</u>

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 9,786
Public safety	12,075
Recreation and culture	<u>6,575</u>

**Total depreciation expense – governmental activities**    \$ 28,436

**Business-type activities:**

Water District 1	\$ 2,014
Water District 2	38,855
Sewer	<u>27,062</u>

**Total depreciation expense – business-type activities**    \$ 67,931

**D. Interfund Transfers**

	<u>Transfers To</u>
<u>Transfers from</u>	<u>Police</u>
<b>General Fund</b>	\$ 50,100

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### E. Long-Term Debt

#### Changes in long-term debt

Long term activity for the year ended March 31, 2008, was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2008</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Installment Contracts					
Flint River Dike Project					
maturing through May 15,					
2016, bearing interest of 4.0%	\$ 187,500	\$ -	\$ (17,049)	\$ 170,451	\$ 15,644

<b>Year Ending March 31</b>	<b><u>Governmental Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2009	\$ 15,644	\$ 8,028
2010	16,381	7,291
2011	17,152	6,520
2012	17,960	5,712
2013	18,806	4,866
2014-2017	<u>84,508</u>	<u>10,180</u>
Total	<u>\$ 170,451</u>	<u>\$ 42,597</u>

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2008</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
Contracts payable					
Water District 2 extension, maturing through April 1, 2013, with interest of 2.4% to 2.9%.	\$ 105,000	\$ -	\$ (15,000)	\$ 90,000	\$ 15,000
Sewer extension, maturing through June 1, 2030, with interest at 4.5%	513,000	-	(13,000)	500,000	13,000
Water District 2 Curtis Road Extension, maturing through May 15, 2020, with interest at 5.0%	<u>53,490</u>	<u>-</u>	<u>(2,729)</u>	<u>50,761</u>	<u>2,866</u>
Business-type activities					
Long-term liabilities	<u>\$ 671,490</u>	<u>\$ -</u>	<u>\$ (30,729)</u>	<u>\$ 640,761</u>	<u>\$ 30,866</u>

Contracts payable currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	2.4 – 5.0%	<u>\$ 640,761</u>



# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Annual debt service requirements to maturity for contracts payable are as follows:

<b><u>Year Ending</u></b> <b><u>March 31</u></b>	<b><u>Business-type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2009	\$ 30,866	\$ 29,306
2010	31,009	27,760
2011	32,160	26,177
2012	33,317	24,538
2013	33,483	22,864
2014-2018	123,210	94,394
2019-2023	124,716	66,521
2024-2028	136,000	37,440
2029-2031	<u>96,000</u>	<u>6,570</u>
Total	<u>\$ 640,761</u>	<u>\$ 335,570</u>

### IV. Other Information

#### A. Defined Contribution Benefit Plan

The Spaulding Township Group Pension Plan is a defined contribution pension plan established by the Township Board and administered by Manulife Financial, a third party, to provide benefits at retirement to eligible employees. The following persons are eligible to participate in the plan: Township Board Members, Water Supervisor, Township Secretary, Water Assistant Supervisor, Police Officers, Fire Chief and Hall Custodian. At March 31, 2008, all 14 eligible persons were plan members.

Employees are required to contribute 5% of gross wages but have the option of contributing up to 100%. The Township is required to contribute 10% of the employee's base salary.

Contributions made by an employee vest immediately and contributions made by the Township vest after two years of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the Township Board.

# **SPAULDING TOWNSHIP, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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During the year, the Township's required and actual contributions amounted to \$21,374. Employees made contributions amounting to \$14,100 to the Plan.

### **B. Property Taxes**

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

### **C. Commitments and Contingencies**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# SPAULDING TOWNSHIP, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### D. Restatements

For the City's General and Water District 2 Funds adjustments were made to write off old interfund receivables and payables as of March 31, 2007. The net effect of these errors caused the Township's assets and liabilities to be overstated in some funds and their fund balance/net assets to be understated or overstated. These errors have been corrected and had the following effect on the beginning fund equity:

	<u>General Fund</u>	<u>Water District 2 Fund</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Fund balance / net assets, as previously reported	\$ 320,065	\$ 757,255	\$ 1,142,426	\$ 2,064,769
Write off of interfund receivable / payable	<u>(14,254)</u>	<u>14,254</u>	<u>(14,254)</u>	<u>14,254</u>
Fund balance / net assets, as restated	<u>\$ 305,811</u>	<u>\$ 771,509</u>	<u>\$ 1,128,172</u>	<u>\$ 2,079,023</u>

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

## **GENERAL FUND**

**SPAULDING TOWNSHIP  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Taxes</b>				
General property taxes	\$ 38,000	\$ 38,000	\$ 43,531	\$ 5,531
Special assessments	148,500	148,500	143,635	(4,865)
Payment in lieu of taxes	31,000	31,000	3,598	(27,402)
Property tax administration fee	19,000	19,000	14,135	(4,865)
Total Assets	236,500	236,500	204,899	(31,601)
<b>Licenses and permits</b>				
Building permits	5,000	5,000	6,249	1,249
Cable TV franchise	45,000	45,000	45,280	280
Miscellaneous licenses and permits	410	410	904	494
Total licenses and permits	50,410	50,410	52,433	2,023
<b>State grants</b>				
Sales tax	177,000	177,000	178,262	1,262
Liquor license	750	750	763	13
Total state grants	177,750	177,750	179,025	1,275
<b>Local grants</b>	10,000	10,000	27,500	17,500
<b>Interest on investments</b>	8,200	8,200	10,273	2,073
<b>Other revenue</b>				
Charges for services	3,375	3,375	3,021	(354)
Fines and forfeits	100	100	-	(100)
Rent	20,000	20,000	16,501	(3,499)
Refunds and reimbursements	3,000	3,000	4,842	1,842
Donations / Fundraisers	-	-	23,961	23,961
Other	10,000	10,000	4,660	(5,340)
Total other revenue	36,475	36,475	52,985	16,510
Total revenues	\$ 519,335	\$ 519,335	\$ 527,115	\$ 7,780

**SPAULDING TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Legislative</b>				
Township Board:				
Fees and per diem	\$ 5,000	\$ 5,000	\$ 4,285	\$ (715)
Fringe benefits	7,175	7,175	9,455	2,280
Supplies	2,600	2,600	4,133	1,533
Memberships and dues	7,500	7,500	3,398	(4,102)
Insurance	31,000	31,000	26,065	(4,935)
Legal expense	5,000	5,000	4,455	(545)
Audit	5,000	5,000	6,000	1,000
Printing and publishing	200	200	348	148
Miscellaneous	1,000	1,000	407	(593)
Total Legislative	64,475	64,475	58,546	(5,929)
<b>General Government</b>				
Supervisor:				
Salaries and wages	13,000	13,000	12,978	(22)
Fringe benefits	2,300	2,300	2,291	(9)
Total Supervisor	15,300	15,300	15,269	(31)
Elections:				
Fees and per diem	2,000	2,000	2,145	145
Operating supplies	1,000	1,000	515	(485)
Contractual services	100	100	300	200
Capital outlay	3,000	3,000	1,909	(1,091)
Total Elections	6,100	6,100	4,869	(1,231)
Tax Administration:				
Operating supplies	100	100	153	53
Postage	1,500	1,500	1,822	322
Contractual services	42,400	42,400	18,246	(24,154)
Printing and publishing	700	700	1,086	386
Miscellaneous	4,700	4,700	19,796	15,096
Total Tax Administration	49,400	49,400	41,103	(8,297)

(Continued)

**SPAULDING TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>General Government (continued)</b>				
Clerk:				
Salaries and wages	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Fringe benefits	1,750	1,750	1,765	15
Total Clerk	11,750	11,750	11,765	15
Board of Review:				
Fees and per diem	2,500	2,500	2,716	216
Printing and publishing	100	100	174	74
Total Board of Review	2,600	2,600	2,890	290
Treasurer:				
Salaries and wages	13,000	13,000	12,978	(22)
Fringe benefits	2,300	2,300	2,291	(9)
Total Treasurer	15,300	15,300	15,269	(31)
Township Office:				
Salaries and wages	19,400	19,400	24,451	5,051
Fringe benefits	3,250	3,250	4,000	750
Operating supplies	1,000	1,000	1,496	496
Postage	800	800	512	(288)
Contractual services	2,500	2,500	2,231	(269)
Repairs and maintenance	500	500	79	(421)
Miscellaneous	200	200	-	(200)
Capital outlay	1,000	1,000	130	(870)
Total Township Office	28,650	28,650	32,899	4,249

(Continued)



**SPAULDING TOWNSHIP**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>General Government (continued)</b>				
Building and Grounds:				
Salaries and wages	\$ 13,600	\$ 13,600	\$ 15,824	\$ 2,224
Fees and per diem	900	900	908	8
Fringe benefits	2,745	2,745	2,655	(90)
Operating supplies	1,700	1,700	1,161	(539)
Contractual services	1,600	1,600	5,302	3,702
Telephone	4,400	4,400	5,062	662
Public utilities	16,000	16,000	16,662	662
Repairs and maintenance	6,300	6,300	17,006	10,706
Miscellaneous	100	100	10	(90)
Capital outlay	850	850	27	(823)
Total Building and Grounds	48,195	48,195	64,617	16,422
Planning and Zoning:				
Salaries and wages	3,200	3,200	10,284	7,084
Fees and per diem	7,000	7,000	5,694	(1,306)
Supplies	175	175	58	(117)
Contractual	13,000	13,000	11,343	(1,657)
Printing and publishing	200	200	97	(103)
Legal expense	3,500	3,500	7,550	4,050
Miscellaneous	1,000	1,000	706	(294)
Total Planning and Zoning	28,075	28,075	35,732	7,657
Cemetery:				
Salaries and wages	6,700	6,700	6,511	(189)
Fringe benefits	750	750	737	(13)
Supplies	100	100	388	288
Contractual services	400	400	775	375
Repair and maintenance	100	100	47	(53)
Miscellaneous	1,200	1,200	-	(1,200)
Capital outlay	900	900	975	75
Total Cemetery	10,150	10,150	9,433	(717)
Total general government	215,520	215,520	233,846	18,326

(Continued)

**SPAULDING TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Recreation and Culture</b>				
Parks:				
Salaries and wages	\$ 9,300	\$ 9,300	\$ 10,137	\$ 837
Fringe benefits	750	750	771	21
Supplies	2,000	2,000	2,344	344
Contracted services	1,000	1,000	831	(169)
Repairs and maintenance	900	900	1,369	469
Capital outlay	16,300	16,300	47,715	31,415
Miscellaneous	2,000	2,000	9,300	7,300
Total recreation and culture	32,250	32,250	72,467	40,217
<b>Public works</b>				
Highway and streets:				
Roads	25,000	25,000	18,756	(6,244)
Drains at large	14,000	14,000	13,185	(815)
Street lighting	15,000	15,000	15,705	705
Total Highway and streets	54,000	54,000	47,646	(6,354)
<b>Sanitation</b>				
Refuse collection	105,000	105,000	100,598	(4,402)
Total public works	159,000	159,000	148,244	(10,756)
Total expenditures	\$ 471,245	\$ 471,245	\$ 513,103	\$ 41,858

## **NONMAJOR GOVERNMENTAL FUNDS**

**SPAULDING TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**MARCH 31, 2008**

	<b>Special Revenue Funds</b>		
	<b>Fire Fund</b>	<b>Historical Society</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 58,589	\$ 11,635	\$ 70,224
Taxes receivable - delinquent	4,218	-	4,218
Accounts receivable	151	879	1,030
Total assets	<u>\$ 62,958</u>	<u>\$ 12,514</u>	<u>\$ 75,472</u>
<b>Liabilities and fund equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 4,638	\$ -	\$ 4,638
Accrued liabilities	746	-	746
Total liabilities	<u>5,384</u>	<u>-</u>	<u>5,384</u>
<b>Fund equity</b>			
Fund balances:			
Unreserved:			
Undesignated	<u>57,574</u>	<u>12,514</u>	<u>70,088</u>
Total liabilities and fund equity	<u>\$ 62,958</u>	<u>\$ 12,514</u>	<u>\$ 75,472</u>

**SPAULDING TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Special Revenue Funds</b>		
	<b>Fire</b>	<b>Historical</b>	
	<b>Fund</b>	<b>Society</b>	<b>Total</b>
		<b>Fund</b>	
<b>Revenues</b>			
Taxes	\$ 40,579	\$ -	\$ 40,579
Refunds and reimbursements	1,000	-	1,000
Interest	2,047	1,485	3,532
Other revenue	720	-	720
Total Revenues	44,346	1,485	45,831
<b>Expenditures</b>			
Salaries and wages	4,086	-	4,086
Fees and per diem	2,325	-	2,325
Fringe benefits	1,124	-	1,124
Operating supplies	5,161	-	5,161
Uniforms	4,742	-	4,742
Memberships and dues	170	-	170
Central communication	2,678	-	2,678
Gas and oil	-	-	-
Insurance	500	-	500
Repair and maintenance	5,764	-	5,764
Education and training	469	-	469
Miscellaneous	3,017	-	3,017
Capital outlay	4,776	-	4,776
Total Expenditures	34,812	-	34,812
Revenues over (under) expenditures	9,534	1,485	11,019
Fund balance, beginning of year	48,040	11,029	59,069
Fund balance, end of year	\$ 57,574	\$ 12,514	\$ 70,088

## **FIDUCIARY FUNDS**

**SPAULDING TOWNSHIP**  
**FIDUCIARY FUNDS**  
**COMBINING BALANCE SHEET**  
**MARCH 31, 2008**

	Agency Funds			
	Tax Collection Fund	Payroll Imprest	Volunteer Fire Department	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1	\$ -	\$ 40	\$ 41
Due from others	-	4,917	-	4,917
Total assets	1	4,917	40	4,958
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 4,917	\$ 40	\$ 4,957
Due to other governmental units	1	-	-	1
Total liabilities	\$ 1	\$ 4,917	\$ 40	\$ 4,958

## **INTERNAL CONTROL AND COMPLIANCE**





**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

September 16, 2008

Members of the Township Board  
Spaulding Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Spaulding Township, Michigan*, as of and for the year ended March 31, 2008, which collectively comprise *Spaulding Township's* basic financial statements, and have issued our report thereon dated September 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *Spaulding Township's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Spaulding Township, Michigan's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Spaulding Township's* internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects *Spaulding Township's* ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of *Spaulding Township's* financial statements that is more than inconsequential will not be prevented or detected by *Spaulding Township's* internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

**1) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements**

Criteria:	All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
Condition:	As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the Township's <i>internal</i> controls.
Cause:	This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.
Effect:	As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and

accepting responsibility for their content and presentation.

## 2) **Recording, Processing and Summarizing Accounting Data**

Criteria:	All governments are required to have in place internal controls over recording, processing, and summarizing accounting data (i.e., maintaining internal books and records).
Condition:	As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the Township has placed reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the Township's <i>internal</i> controls.
Cause:	This condition was caused by the Township's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.
Effect:	As a result of this condition, the Township lacks internal controls over the recording, processing, and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The Township has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, and summarizing of accounting data, and determined that it is in the best interests of the Township to rely on its external auditors to recommend the necessary adjustments.

## 3) **Dual Signatures**

Criteria:	The State's Accounting Procedures Manual requires two signatures on each check (except the separate tax collection checking account). The dual signatures must be the treasurer (or deputy treasurer) and clerk (or deputy clerk).
Condition:	During auditing procedures, we observed that there was only one signature on checks written out of the general checking account.
Cause:	The Township policy only requires one signature on checks.

Effect: This condition increases the risk that Township assets could be misappropriated because there are fewer checks and balances over disbursements.

Recommendation: We recommend that the Township amend its disbursement policy to require two signatures on all checks to comply with State requirements.

#### **4) “Off Books” Cash Account**

Criteria: State statute requires the Township to identify, in its accounts, and reconcile within a timely manner, all bank accounts under the signature control of the Treasurer.

Condition: The Township has “off book” bank accounts that are not reflected in general ledger cash accounts. These accounts include the Volunteer Fire Department checking and savings accounts and the Spaulding Township Playground Project checking account. In addition, these accounts are maintained by various departments and not reconciled centrally in the normal monthly reconciliation process.

Cause: This condition appears to be the result of the Township’s records for cash accounts not being maintained in a central location and a lack of communication between departments.

Effect: This condition increases the risk that Township assets could be misappropriated because records are not being monitored by the appropriate management level officials. Also, the activity in these accounts (i.e. deposits and check withdraws) are not being recorded on the general ledger.

Recommendation: We recommend that the Township conduct a search to ensure all bank accounts held in the Township’s name have been identified and are properly monitored. Going forward, all bank accounts should be recorded centrally each month and with the balances and resulting activity reflected in the general ledger.

## 5) Segregation of Incompatible Duties

Criteria:	Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.
Condition:	As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. These include an individual authorized to setup vendors and process accounts payable, setup new employees and process payroll information, and initiate manual journal entries and post them. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.
Cause:	This condition is a result of the Township's limited resources, and the small size of its accounting staff.
Effect:	As a result of this condition, the Township is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely basis.
View of Responsible Officials:	The Township understands the increased risk due to the inherent lack of segregation of duties and has concluded that the cost of implementing the segregation of duties does not warrant the benefit of the lower risk obtained. However, management will maintain a heightened awareness and continually review the mitigating controls over these areas.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by *Spaulding Township's* internal control.

Members of the Township Board  
Spaulding Township  
September 16, 2008

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Spaulding Township's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of *Spaulding Township*, in a separate letter dated September 16, 2008.

*Spaulding Township's* responses to the findings identified in our audit are described above. We did not audit *Spaulding Township's* responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Audit Committee, the governing board, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

September 16, 2008

To the Members of the Township Board  
Spaulding Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***Township of Spaulding*** for the year ended March 31, 2008, and have issued our report thereon dated September 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated April 8, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the ***Township of Spaulding***. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the ***Township of Spaulding's*** compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 28, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the ***Township of Spaulding*** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: all audit entries that were posted to convert financial statements from cash basis to modified accrual basis



and from modified accrual basis to full accrual basis. In other words, audit entries are required to properly account for receivables, payables, capital assets, etc.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 16, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the ***Township of Spaulding*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is written over a horizontal line.

# **SPAULDING TOWNSHIP, MICHIGAN**

## **COMMENTS AND RECOMMENDATIONS**

### **FOR THE YEAR ENDED MARCH 31, 2008**

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In planning and performing our audit of the financial statements of **Spaulding Township, Michigan** as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The items listed below summarize our comments and suggestions regarding those matters. A separate report dated September 16, 2008, contains our report on significant deficiencies in the Township's internal control. This letter does not affect our report dated September 16, 2008, on the financial statements of Spaulding Township, Michigan.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

#### ***Other Matters in Internal Control***

The Township did not formally adopt the budget for the years March 31, 2008, and March 31, 2009, until April 16, 2007, and April 21, 2008, respectively. However, the Township is required by the Uniform Accounting and Budgeting Act to adopt a budget for the general and all special revenue funds prior to the commencement of the Township's fiscal year.

We recommend that the Township review its budgeting timetable to ensure that a formal budget is adopted in accordance with requirements of the State of Michigan.

This communication is intended solely for the information and use of the Audit Committee, the governing Board, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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